

Congress of the United States
Washington, DC 20515

June 11, 2013

The Honorable Shaun Donovan
Secretary
U.S. Department of Housing and Urban Development
451 7th Street SW
Washington, DC 20410

Dear Secretary Donovan:

On May 16, 2013, during a hearing before the House Committee on Financial Services, Deputy Assistant Secretary Charles Coulter testified that the U.S. Department of Housing and Urban Development shared the view of former Federal Housing Administration (FHA) Commissioner David Stevens that the federal government should not be in the business of insuring the refinancing of a loan acquired through eminent domain. Specifically, Mr. Coulter responded that "[w]e absolutely share those concerns" and also stated that "[i]t would be highly improbable, I believe, for FHA to put itself in a position where we would be the only insurer on those types of refinance transactions." Furthermore, he stated that "the Secretary has been clear" in expressing the department's concerns about use of eminent domain by localities to refinance mortgages.

As you may be aware, a private investment fund has entered into agreements with municipalities in California advocating in favor of a plan that could involve the use of eminent domain to seize mortgage loans from private-label mortgage backed securities. The group's proposal is premised on seized loans being refinanced through the FHA, shifting the risk of default to the taxpayers.

We are concerned that the proposed use of eminent domain would slow the return of private capital to the housing finance system, and threaten our fragile housing recovery. We do not believe this is appropriate public policy, even if this use of eminent domain were to survive the inevitable legal challenges that would follow any decision to seize mortgages.

We respectfully ask that you confirm, in writing, the Department's policy concerning this proposed use of FHA to refinance performing mortgages seized through eminent domain.

Sincerely,



ED ROYCE
Member of Congress



GARY G. MILLER
Member of Congress



JOHN CAMPBELL
Member of Congress